

EIC/S BRIEF ON SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE

REFERENCES: General Concept and Functions of EIC Subcommittees,
EIC-D-123/2, 20 December 1955
SC Terms of Reference, 5 March 1952
SC Annual Report for FY 1955, see EIC-D-116, 14 Sep 55
SC Annual Report for FY 1956, see EIC-D-187, 19 Oct 56

1. This has been a relatively inactive subcommittee. It held only one meeting during FY 1956, and has held no meetings thus far during FY 1957. The subcommittee was fairly active in FY 1955 when it produced EIC-R-11, "The Balance of Payments of the Soviet Bloc and Communist China with the Free World, 1948-53," and EIC-SR-3, "Institutions and Arrangements in International Trade and Finance within the Soviet Bloc." The subcommittee has initiated action on review of research deficiencies; examination of research techniques; agreement of basic statistics; and review of reports, contributions, etc. It has not yet, however, completed action on these undertakings.

2. The subcommittee was weakened in its functioning because of the non-availability for a long period of time of the State Department member (and SC Chairman).

3. In the past the Annual Reports of this SC have indicated that its relative inactivity was largely the result of the fact that it had no important or interesting assignments to perform. There is unquestionably some foundation for this contention. At present three important areas within the general field of this SC are handled by other groups in the EIC community. These are:

a. Sino-Soviet Bloc economic activities in underdeveloped areas, including, of course, trade and financial arrangements. This is handled by the EIC Working Group on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas.

b. Communist China's trade, which has been covered by the EIC-R-1 working groups.

c. Strategic trade and trade controls, which are handled by the EDAC/EDIC structure.

4. It would seem neither feasible nor advisable to shift the functions indicated above from the groups now handling them to the Subcommittee. The minimum functions for EIC subcommittees listed in EIC-D-123/2 could, however, be usefully undertaken by the SC, particularly the review and evaluation of the state of intelligence in its field, the identification of priority deficiencies, and the recommendation of remedial actions.

Subcommittee on International Trade and Finance

5. The completion of its survey of priority research deficiencies—including coverage of the specific areas within the purview of the three groups indicated in paragraph 3 above—might well reveal priority deficiencies which ought to be filled, notwithstanding the heavy burden on the available research facilities in this field. Possibilities are: the sterling resources of the USSR and of Communist China; trends in and significance of Bloc trade with the entire Free World, the economic impact on and costs to the Bloc of trade controls; an up-dating of EIC-R-11, and of EIC-SR-3; etc.

6. This SC sometimes ran into difficulties because of the fact that some of its members, particularly those representing non-IAC agencies, did not have clearance for all sources of intelligence materials. Broader clearances would facilitate better insight into the actual state of intelligence in this field, and are essential for contributing to analysis of certain substantive problems relating to China trade, economic penetration, etc.

7. The Executive Secretary of this SC has prepared a memorandum to the SC members (attached) outlining "Projected Activities for the Remainder of Fiscal Year 1957." This memorandum appears to set the sights for SC action at about the appropriate level, and if the proposals are carried out would comply with the directive of EIC-D-123/2 regarding minimum functions for EIC subcommittees.

Attachment:

Memorandum indicated in
paragraph 7 above.

~~SECRET~~

~~SECRET~~

Subcommittee on International Trade and Finance

NOTES AND RECOMMENDATIONS (FOR THE CHAIRMAN AND VICE CHAIRMAN ONLY)

8. The agencies represented on the subcommittee are as follows:

State	-	*
Army	-	(Baxter Wood)
Navy	-	(John F. Crone)
Air Force	-	(Richard P. Oliver)
CIA	-	[REDACTED] Executive Secretary) 25X1A9a
Commerce	-	(Carl P. Blackwell)
Federal Reserve Board	-	(Wendell E. Thorne)
ICA	-	(David Tilson)
OSD	-	(Prentice N. Dean)
Treasury	-	(Morris J. Fields)

*Note: (Vacant at present; Harry Bell scheduled to enter on duty, and be appointed to SC in May, 1957.)

9. This committee has been derelict in not performing the minimum EIC SC functions in the past. In some part, this has been because of the slight interest and prolonged non-availability of the State Department representative (and Chairman). State and CIA are the agencies most actively engaged in research in the field of this SC. The former State Department member, Alfred Reifman, was not available for SC work for over a year, and subsequently, transferred from State. Ed Doherty informs us that a very able replacement for Reifman, Harry Bell, will enter on duty in May. Bell is a capable economist. His presence on the SC should be of considerable assistance in revitalizing it. Given the work done in the general field of trade and finance by the EDAC/EDIC structure, the Soviet economic penetration working group and the EIC-R-1 working groups—and the limited research facilities in this field other than those in ORR—any proposal for greatly expanded activities for this SC would seem unwarranted.

10. It is, therefore, recommended that:

a. The proposals contained in the attached memorandum from the SC Executive Secretary to the members thereof, relating to activities to be carried out during the remainder of FY 1957, be given the "blessing" of the EIC, with a strong prod to move in the direction indicated. [The carrying out of its minimum functions would appear to require at least two well-organized meetings per year in addition to such special meetings as may be required for the review of external research projects and exchange proposals. Once the SC begins to meet regularly, it may well generate additional useful functions along the lines of the "Additional Functions for EIC Subcommittees" of EIC-D-123/2.]

- 3 -

~~SECRET~~

~~SECRET~~

Subcommittee on International Trade and Finance

b. You raise with State the question of special clearance for the new State Department member-designate (and presumably Chairman).

c. Following the completion of the SC's proposed Survey of Priority Research Deficiencies, it consider the undertaking by ad hoc working groups of the subcommittee of such urgently needed coordinated intelligence as may be called for.

~~SECRET~~

S.C. Int'l Trade & Finance

I General - 1 meeting Fy56 - 0 - 1/2 half Fy57

(mtg Aug 55 & minutes were written - agenda included agreed basic statistics, future role of S.C., Review of intell. Prod & updating research deficiencies.)

II Principal Activities and Problems

P.M. -

Agreed basic stats -

Research - deficiencies -

Review of Intell Prod. -

R1- China Trade }
- Eur Penetration } broken out.
Trade Controls }

~~SECRET~~

SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE

on the

ECONOMIC INTELLIGENCE COMMITTEE

TFSC-D-1
Control No. 461908
8 April 1957

MEMORANDUM FOR: Members of the EIC Subcommittee on International Trade and Finance

SUBJECT: Projected Activities for the Remainder of Fiscal Year 1957.

1. The EIC Subcommittee on International Trade and Finance provides an inter-agency framework for the examination, evaluation, and coordination of US Government research in the field of Sino-Soviet Bloc international trade, finance, and related economic activities. The inter-agency programs in the field are particularly complex, including, in addition to normal coordination, special committees and working groups on strategic trade, Soviet economic penetration, and Communist China's foreign trade. It is, therefore, important that this Subcommittee review and evaluate the activities of these sub-groups. In addition the Subcommittee has a number of other responsibilities to be discharged during the remainder of Fiscal year 1957. These include the following:

a. A general review of the state of intelligence production and research within the field including an exchange of ideas on research and collection projects designed to overcome gaps in current research programs. Toward this end the Subcommittee is required to prepare a list of significant research and collection deficiencies. Blank forms are attached for your convenience in spelling out such deficiencies.

b. A review and comment on draft reports of member agencies. If any Subcommittee member considers Subcommittee review of one of its reports desirable, the Secretary will schedule such a review.

c. A review of proposals for external research in accordance with provisions of DCID 15/1. Attached is such a proposal by ORR for your consideration and for discussion at the next Subcommittee meeting. External research proposals by other member agencies should be forwarded to the Secretary as early as possible so that they may be considered at the next meeting.

2. It is planned that a Subcommittee meeting will be held within the next thirty days. The time, place, and agenda for the meeting will be forwarded to Subcommittee members in the near future.

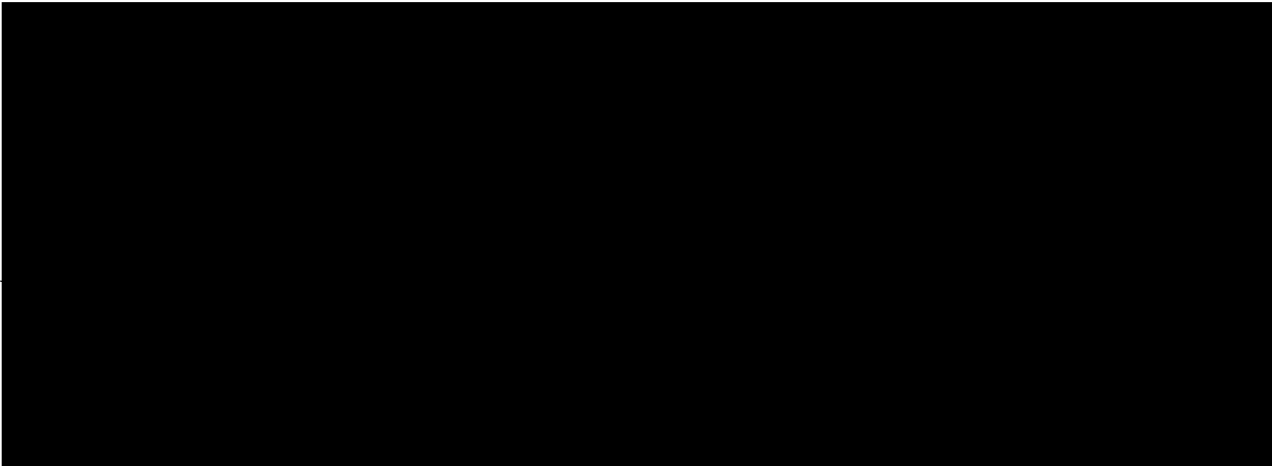
25X1A9a

~~CONFIDENTIAL~~

PROPOSED ORR EXTERNAL RESEARCH PROJECT

It is proposed that an analysis and estimate of Overseas Remittances to Communist China be allocated to external research. It is believed that the sufficient overt sources, both published and personal, would be available; though the use of some classified material would make the study more valuable.

Remittances and investments by overseas Chinese have played a significant role in China's international balance of payments ever since the second half of the 19th century. In prewar years the volume of these remittances approximated US \$100 million annually. Today, remittances and investments total roughly 2.5% of imports, but are restricted by several factors, especially US financial controls. Overseas remittances, however, are a major source of China's sterling and Swiss franc holdings. The importance of these remittances to Communist China is manifested in the several programs undertaken to increase these remittances.



25X1A5a1

~~CONFIDENTIAL~~